



Buy the Dip or Ride the Wave? Great Canadian Gaming Corp. vs. Stars Group Inc.

Description

Shares of **Great Canadian Gaming Corp.** (TSX:GC) have dropped 6.4% month over month as of close on November 15. The stock is still up 17.6% in 2017, powered by a major deal reached with the province of Ontario in early August. **Stars Group Inc.** (TSX:TSGI)(NASDAQ:TSG) stock is up 9.7% month over month and 48.1% in 2017.

Both gambling companies have fared well this year, but has Great Canadian Gaming lost its momentum? And is Stars Group about to see its stock soar as online gambling appears to be headed for the mainstream? Let's take a look at both today and make a determination.

Great Canadian Gaming Corp.

In an early November article, I'd discussed the [ongoing controversy](#) that continues to hammer Great Canadian Gaming stock. The Ontario Progressive Conservative Party, which is set to challenge the Ontario Liberals in the 2018 provincial election, demanded that Liberal leadership put a halt to the landmark deal with Great Canadian Gaming Corp. Ontario PCs requested that the deal be stopped, while the investigation into money laundering at a number of British Columbia locations is underway. Liberal leadership assured that they are paying close attention to the ongoing investigation.

Great Canadian Gaming also released its third-quarter results on November 9. Revenues increased by 5% to \$159.6 million, and the company posted net earnings of \$26.9 million, or \$0.44 per share. Leadership appeared confident that the deal which netted the company the GTA casino bundle would not be jeopardized in any way. The acquisition is set to close in the first quarter of 2018.

The Stars Group Inc.

On October 30, Pennsylvania became the fourth U.S. state to legalize online gambling, joining Delaware, New Jersey, and Nevada. In a September article, I'd [covered](#) the impending U.S. Supreme Court decision on possible gambling legalization and how it could impact Stars Group.

The news is good for online gambling companies like Stars Group, but also for the highly lucrative

business of sports gambling. Ratings are down for the NFL in 2017 and networks like ESPN are struggling with subscription losses. Legal sports gambling would pull a multi-billion-dollar industry away from offshore bookies and into North America.

Stars Group also released its third-quarter results on November 9. Total revenue was up 21.7% to \$329.4 million, and net earnings rose 505.9% to \$75.8 million. Casino and sportsbook revenues saw the most revenue growth — 48.3% to \$95.2 million.

Which should you buy?

As I explained in my article on the Great Canadian Gaming controversy, the deal is not at risk of being scuttled. The 22-year deal for the GTA bundle should spark a surge in revenues. The stock may continue to face difficulties as the investigation develops, but investors should feel comfortable stacking in this rough period.

For less-patient investors, Stars Group holds the potential for more explosive growth ahead of possible gambling legalization in 2018. Huge portions of a sports gambling industry that could be worth upwards of \$150 billion will move from offshore into the U.S. To add to this, Stars Group recent earnings have also been very impressive.

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